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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

Form 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended: January 31, 1992

OR

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TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File No.: 0-17702

TERMINAL APPLICATIONS GROUP, INC.
(Exact name of Registrant as specified in its charter)

New York	11-2214936
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
495 Central Park Avenue, Scarsdale, New York (Address of principal executive offices)	10583 (Zip Code)

Registrant's telephone number, including area code: (914) 723-0800

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X(1) No _____

(1) Registrant has been subject to the filing requirements for the past 90 days. Due to Registrant's weakened financial condition, a portion of the fees of Coopers & Lybrand, independent certified public accountants of Registrant, for the audit of the financial statements for the 1990 fiscal year remain unpaid. Accordingly, the reports of Coopers & Lybrand on the financial statements and financial statement schedules for the 1991 fiscal year have not been released and were omitted from Registrant's Annual Report on Form 10-K for the 1991 fiscal year.

On March 13, 1992 there were outstanding 6,309,240 shares of Common Stock, $.01 par value per share of the Registrant.

TERMINAL APPLICATIONS GROUP, INC.

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TERMINAL APPLICATIONS GROUP, INC.
BALANCE SHEETS
1/31/92 & 10/31/91

	1/31/92 (Unaudited)	10/31/91 (Unaudited)
ASSETS:		
Cash	$	$ 70,760
Receivables, trade	300,216	239,061
Other receivables	31,494	31,494
Net investment in sales-type leases	1,751,143	1,596,488
Inventory	241,071	266,071
Prepaid expenses	36,521	41,508
Fixed assets, net of acc. dep. (Note 3)	2,083,012	2,178,321
Due from affiliates	30,661	41,068
Deposits	18,460	18,461
Total Assets	$4,492,588	$4,483,232
LIABILITIES & STOCKHOLDERS' EQUITY:		
Liabilities:		
Cash-overdraft	$ 12,087	
Long-term debt (Note 4)	2,622,453	$2,624,453
Accounts payable and accrued expenses	1,825,775	1,646,406
Obligations under capital leases	140,617	155,565
Customer deposits and unearned rental income	233,605	263,243
Deferred income	2,782	62,104
Total Liabilities	4,837,319	4,751,771
Stockholders' Equity: (Note 5)		
Preferred stock, par value $.10 per share: 5,000 shares authorized; 156 shares issued and outstanding in 1991 and 1990; Liquidation Preference $26,000	16	16
Common stock, par value $.01 per share: 15,000,000 shares authorized; 6,309,240 issued in 1992 and 6,259,240 in 1991	64,232	63,732
Additional paid-in capital	2,694,223	2,694,222
Deficit	(3,065,202)	(2,988,509)
	(306,731)	(230,539)
Less, Treasury stock, at cost, 114,000 shares of common stock	38,000	38,000
	(344,731)	(268,539)
Total Liabilities and Stockholders' Equity	$4,492,588	$4,483,232

The accompanying notes are an integral part of these financial statements.

TERMINAL APPLICATIONS GROUP, INC.

STATEMENTS OF OPERATIONS

	Three Months Ended January 31,	
	1992 (Unaudited)	1991 (Unaudited)
REVENUES:		
Net sales and related interest income	$ 431,814	$ 377,667
Rentals and maintenance	365,788	182,630
	797,602	560,297
COST OF REVENUES:		
Cost of products sold	52,686	54,170
Cost of rental and maintenance services	332,423	361,096
	385,109	415,266
Gross Profit	412,493	145,031
EXPENSES:		
Operating expenses	98,636	93,494
Research and development	56,172	62,479
Selling expenses	86,495	117,768
General and administrative	184,234	154,733
	425,537	428,474
Loss from operations	(13,044)	(283,443)
Interest expense	63,729	80,020
Loss before tax	(76,773)	(363,463)
Net loss	$ (76,773)	$ (363,463)
Earnings per share of common stock (Note 5)	$ (.01)	$ (.06)
Weighted average shares outstanding	6,275,907	6,259,240

The accompanying notes are an integral part of these financial statements.

TERMINAL APPLICATIONS GROUP, INC.
STATEMENTS OF CASH FLOW
(Increase (Decrease) in Cash and Cash Equivalents)
(Unaudited)

	For the 3 Months Ending January 31, 1992	1991
Cash flows provided by (used for) operating activities:		
Net loss	$ (76,773)	$(363,463)
Adjustments to reconcile net loss to net cash provided by (used for) operating activities:		
Depreciation and amortization	155,268	123,482
Changes in assets and liabilities:		
Increase in trade receivables	(61,165)	(84,165)
Decrease in other receivables		1,851
(Increase)Decrease in sales-type leases	(154,655)	286,461
Decrease in inventory	25,000	6,239
Increase (Decrease) in prepaid expenses	4,987	(13,331)
(Increase) in deposits		(299)
Decrease (Increase) in due from affiliates	10,407	(2,907)
Increase in accounts payable and accrued expenses	179,369	137,219
(Decrease) increase in customer deposits and unearned income	(29,638)	25,032
Decrease in deferred income	(59,321)	(2,864)
	70,252	476,719
Net cash (used for) provided by operating activities:	(6,521)	113,255
Cash flows used for investing activities:		
Acquisitions of fixed assets	(59,878)	(92,991)
Net cash used for investing activities:	(59,878)	(92,991)
Cash flows provided by (used for) financing activities:		
Reduction of long-term debt, net	(2,000)	(1,490)
Decrease in Capital Lease Obligations	(14,948)	(18,143)
Issuance of common stock	500	
Net cash used for financing activities:	(16,448)	(19,633)
Net (decrease) increase in cash	(82,847)	631
Cash at the beginning of the quarter	$ 70,760	15,513
Cash at the end of the 3 months	$ (12,087)	$ 16,144
Supplemental disclosures:		
Cash paid during the 3 months for:		
Interest	$ 5,954	$ 26,841
Taxes	$ 616	$ 561

The accompanying notes are an integral part of these financial statements.

TERMINAL APPLICATIONS GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

1. The balance sheet as of January 31, 1992 and the comparative statements of operations for the three-month periods ended January 31, 1992 and 199', and the comparative statements of cash flows for the three-month periods ended January 31, 1992 and 1991 have been prepared by the Company, without audit. In the opinion of management, all adjustments necessary to present fairly the Company's financial position at January 31, 1992 and 1991, and the results of operations and cash flows for the periods presented have been made. All such adjustments are of a normal, recurring nature. Earnings per share are calculated using the weighted-average number of shares outstanding as common stock equivalents are not significant. The balance sheet at October 31,1991 is unaudited.

2. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that this information be read in conjunction with the annual financial statements of the Company.

3. Fixed assets are carried at cost, less accumulated depreciation and amortization. Depreciation of property and equipment is generally provided under the straight-line method for financial reporting purposes with expected useful lives ranging from five to seven years. Leasehold improvements are generally amortized over the shorter of useful life or terms of the respective leases.

Fixed assets consisted of the following (principally pledged - see Note 4):

	1/31/92	10/31/91
Data processing equipment	$ 2,400,342	$ 2,393,233
Software	2,198,944	2,149,754
Office furniture and equipment	136,445	147,997
Leasehold improvements	390,597	390,597
	5,126,328	5,081,581
Less, Accumulated depreciation and amortization	3,043,316	2,903,260
	$ 2,083,012	$ 2,178,321

4. Long-term Debt:

Long-term debt consists of the following:

	1/31/92	10/31/91
Bank loan payable, revolving credit and term loan agreement	$ 2,433,510	$ 2,435,000
Notes payable to vendors	188,943	190,943
	$ 2,622,453	$ 2,624,453

The Loan Agreement provides for an interest rate of 1.25% above the prime lending rate and also requires a facility fee of .75% of the balance of the loan on the date of closing. These borrowings are collateralized by substantially all of the Company's assets. In addition, the Agreement contains certain restrictive covenants, including maintenance of net worth and debt to net worth ratios with which the Company is not in compliance. This Agreement matured in August 1990, and the Bank and the Company have been negotiating its restructuring and repayment. No agreement has yet been reached.

5. **Events:**

In January 1991, the Company instituted a work share program under the New York State Unemployment Insurance System. Under the program work schedules and salaries of certain employees were reduced by 20% and such employees receive 20% of their unemployment benefits. This program expired in June 1991. At its expiration, all employees took additional salary cuts.

In February 1992, the Company signed a [illegible]-year lease for new space for its headquarters and will move during April 1992. Minimum future rental payments due under the lease exclusive of escalation clauses are as follows:

1992	$ 52,226
1993	89,531
1994	173,165
1995	232,904
1996	245,060
1997	105,726
	$898,612

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The Registrant continues to face a growing cash insufficiency which has been and is directly related to the reduced level of sales of the Registrant's Challenger data processing system and delays in fully completing the first version of the software incorporated in the Registrant's new Star Alpha" data processing system. In response to this cash insufficiency, in March 1990 the Registrant instituted a cost cutting program which included terminating 7 employees and reductions in the salaries of the remaining employees. The largest salary reductions, both in actual dollars and percentages, were made in officers' salaries. In January 1991, the Registrant instituted a work share program under the New York State Unemployment Insurance System. Under this temporary program, the work schedules and salaries of certain employees were reduced by 20% and such employees received 20% of their unemployment insurance benefits. Additionally, the work schedules of other employees were rearranged to reduce overtime and to otherwise reduce costs.

The work share program expired in June 1991 and the Registrant, in order to reduce salary expenses, instituted additional salary and work schedule reductions. Additionally, the Registrant lowered its office rental expense by returning space to the landlord of its New York headquarters and is also attempting to further reduce its rental expense by reducing the amount of office space at its Philadelphia Sales Office. A number of employees also left the Company. Furthermore, to conserve cash during certain periods, the

payment of salaries of officers and key employees has been delayed. At March 1, 1992 the Registrant had delayed the payment of approximately $42,500 of such salaries. The total amount of delayed salaries is lower than previously reported and reflects a further reduction in the salaries of officers and key employees and the resultant reduction in the amount of salaries being delayed and accrued. The Registrant has also selectively delayed the payment of various other accounts payable.

Registrant will be relocating its New York headquarters in the second fiscal quarter and has signed a new five year lease for office space. Under the terms of this new lease, rent expense for the first two years will be reduced significantly.

While the Registrant had a backlog of orders of approximately $375,000 at January 31, 1992, approximately $343,200 of such backlog represents orders for the Star Alpha™ system. The Registrant announced the release of certain modules of the Star Alpha™ system in December 1990. The remaining modules of the first version of the Star Alpha™ system have been and will continue to be released for sale as they are completed. The Registrant has installed a pre-release version of portions of the Star Alpha™ system at six customers. The Registrant has commenced installing backlog orders for Star Alpha™ systems that are comprised of the modules which have been released but will not be able to install the remaining backlog until the modules to be installed are completed and are fully operational. Additionally, in conjunction with becoming a Microsoft SQL Solutions Partner, the Registrant

will also market the Star Alpha™ system through selected resellers and systems integrators. A salesperson has been hired and six resellers and systems integrators have signed distribution license agreements since the initiation of this program in July 1991.

Total revenues for the first fiscal quarter ended January 31, 1992 and 1991 were $797,602 and $560,297, respectively. The 1992 increase of $237,305, approximately 42%, is directly attributable to a new six month contract with an existing major customer of the Registrant entered into during such period.

The Registrant's gross profit margin on revenues was approximately 52% for the first fiscal quarter ended January 31, 1992 as compared to approximately 26% for the prior year period. The increase in gross profit margin is attributable to the increase in revenues resulting from the large sale to the Registrant's major customer and a small reduction in costs of rental and maintenance services and costs of products sold.

Total expenses as percentage of total revenues were approximately 53% and approximately 76% for the first fiscal quarters of 1992 and 1991, respectively. Expenses were approximately the same in the first fiscal quarters of 1992 and 1991. The Registrant continues to realize the benefits from the personnel and expense reduction programs. The reduction in selling expenses reflects reduced personnel while the increase in general and administrative expenses reflects a change in the duties of existing personnel from software development to administrative functions. Technological feasibility of the software for the Star Alpha™ system was achieved

in the fourth fiscal quarter of 1989 and certain of the research and development expenses for that program are being capitalized.

Interest expense decreased to $63,729 from $80,020 for the first fiscal quarters ended January 31, 1992 and 1991 due to the general decrease in interest rates during the 1992 period.

The Registrant is subject to the effects of the general economic recession in the United States and the more severe downturn in the Northeast, the geographical area served by the Registrant. Additionally, the conditions within the data processing community, and the willingness or ability of customers to make expenditures on capital equipment such as the Registrant's system directly impact the Registrant's performance.

Liquidity and Capital Resources

As noted above, the Registrant is facing a continuing liquidity insufficiency resulting from low sales. The Registrant's decisions to reduce staff and other expenses had a material favorable impact in the 1992 first fiscal quarter. It is the intention of management to continue to closely monitor the situation and to take those actions required by future developments. The Registrant still anticipates that Star Alpha™, the Registrant's new data processing system, will be favorably received by the marketplace and has received favorable comments and six deposits from new and existing customers who have seen the current form of the system.

Net cash (used for) provided by operating activities was $(6,521) and $113,255 for the three-month periods ending January 31, 1992 and 1991. The decrease in cash provided by operating

activities during the 1992 period results from an increase in sales-type leases.

Net cash (used for) investing activities in fixed assets, primarily computer software, was $(59,878) for the three months ended January 31, 1992 and $(92,991) for the three months ended January 31, 1991.

Net cash (used for) financing activities was $(16,448) and $(19,633) for the three months ended January 31, 1992 and 1991.

In August 1988 the Registrant entered into a new two year revolving credit line which bears interest at 1 1/4% over the bank's prime rate, is collateralized by substantially all of the Registrant's assets and provides for loans up to a maximum of $2,500,000 with the amount determined by a formula based upon the Registrant's net investment in "sales-type leases" and accounts receivable. This revolving line of credit matured on August 31, 1990 but has not been repaid. The bank has limited the maximum amount which the Registrant can borrow to $2,435,000, the amount outstanding on October 31, 1990.

The bank has offered to accept $500,000 as payment in full of the Registrant's loan and accrued interest amounting to in excess of $2,500,000. The offer was originally set to expire on October 11, 1991 but the Registrant has obtained a number of extensions and is currently negotiating a plan designed to repay this loan at a reduced amount. There can be no assurance that these negotiations will be successful.

Under the original terms of this revolving credit line, the Registrant could convert the total amount outstanding on the maturity date to a three year term loan bearing interest at 1 1/2% over the bank's prime rate and payable in 36 equal monthly payments of principal together with interest on the amount outstanding. At October 31, 1991, 1990 and 1989 the Registrant had drawn $2,435,000, $2,435,000 and $2,170,000, respectively against this line of credit. Borrowed funds are used primarily for working capital.

Under the terms of this revolving credit line, the Registrant is subject to a number of affirmative and negative covenants. Among those covenants are a requirement that the Registrant maintain a minimum net worth of $1,400,000, $1,500,000 and $1,600,000 during the 1988, 1989 and 1990 fiscal years, respectively, and a debt, as defined, to net worth ratio of 2 to 1. At March 1, 1992, the Registrant was 15 months behind in the payment of interest and is not in compliance with the net worth or debt to net worth requirements.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

a. Exhibits - None.

b. Registrant filed a Current Report on Form 8-K dated November 18, 1991. This Current Report disclosed two events under Item 5. Other Events. One event was an amendment to the Warrant Agreement which extended the term of the Warrants to December 6, 1992 and reserved the right, during the extended term of the Warrants, to redeem the Warrants at $.01 per Warrant on 30 days notice. The other event was the delisting of Registrant's securities from the NASDAQ system.

Registrant filed a Current Report on Form 8-K dated March 2, 1992 reporting, under Item 6. Resignations of Registrant's Directors, the decision of Robert Mantin not to stand for re-election to the Board of Directors at the upcoming Annual Meeting of Shareholders and the resignation of Robert I. Schulman from the Board of Directors of Registrant. There were no disagreements between Registrant and Messrs. Mantin and Schulman regarding the operations, policies or practices of Registrant.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TERMINAL APPLICATIONS GROUP, INC.

By:_____
Gerald D. Kaplan, President
Principal Executive and
Financial Officer

Dated: March 13, 1992